§ 92.304 Compliance requirements.

(a) Manufacturers or remanufacturers wishing to participate in certification averaging, banking and trading programs shall select a FEL for each engine family they wish to include. The level of the FEL shall be selected by the manufacturer or remanufacturer, subject to the upper limits described in paragraph (k) of this section. An engine family certified to an FEL is subject to all provisions specified in this part, except that the applicable FEL replaces the applicable NO_X and PM emission standard for the family participating in the averaging, banking, and trading program.

(b) A manufacturer or remanufacturer may certify one or more engine families at FELs above or below the applicable emission standard, provided the summation of the manufacturer's or remanufacturer's projected balance of all credit transactions in a given calendar year is greater than or equal to zero, as calculated for each family under § 92.305 and reported under § 92.309.

(c) Manufacturers and remanufacturers certifying engine families with FELs exceeding the applicable emission standard shall obtain emission credits in amounts sufficient to address the shortfall. Credits may be obtained from averaging, banking, trading or transfer, subject to the restrictions described in this subpart.

(d) Manufacturers and remanufacturers certifying engine families with FELs below the applicable emission standard may generate emission credits to average, bank, trade, or transfer, or a combination thereof.

(e) Credits may only be used for certification; they may not be used to remedy a violation of the FEL determined by production line or in-use testing. Credits may be used to allow subsequent production of engines for an engine family failing production line testing if the manufacturer elects to recertify to a higher FEL

(f) If an FEL is changed after initial certification in any given model year, the manufacturer/remanufacturer must conduct production line testing to verify that the emission levels are achieved.

(g) Manufacturers and remanufacturers participating in the averaging, banking and trading program must demonstrate compliance with the applicable emission standards at the end of the model year. Manufacturers and remanufacturers that have certified engine families to FELs above the applicable emission standards and do not have sufficient emission credits to offset the difference between the emission standard and the FEL for such engine family(ies) will be in violation of the conditions of the certificate of conformity for such engine family(ies). The certificates of conformity may be voided *ab initio* for those engine families.

(h) In the event of a negative credit balance resulting from a credit trade or transfer, both the buyer(s) and the seller(s) are liable, except in cases involving fraud. Certificates of all engine families participating in a negative trade may be voided *ab initio*.

(1) Where a buyer of credits is not responsible for causing the negative credit balance, it is only liable to supply additional credits equivalent to any amount of invalid credits that it used.

(2) Credit holders responsible for the credit shortfall may be subject to the requirements of § 92.309(g)(3).

(i) Averaging sets. This subpart includes separate programs for compliance with each type of cycle-weighted standards in § 92.8 (i.e., line-haul and switch). Credits generated over the line-haul duty-cycle may not be used for compliance with the switch duty-cycle, and credits generated over the switch duty-cycle may not be used for compliance with the line-haul duty-cycle.

(j) Cross tier credit exchanges. Cross tier credit exchanges for NO_X and PM emission credits may be exchanged between and among Tier 0, Tier 1, and Tier 2 engine families with the following exceptions:

(1) For 2005 and 2006 model year freshly manufactured locomotives, manufacturers may use PM credits for all of their freshly manufactured engine families. Manufacturers may use NO_X credits only for engine families that are projected to represent 75 percent or

less of their total projected annual production of freshly manufactured locomotives. The remainder must comply with the Tier 2 NO_X emission standards without the use of credits.

(2) For 2007 and later model year freshly manufactured locomotives, manufacturers may use PM credits for all of their freshly manufactured engine families. Manufacturers may use NO_X credits only for engine families that are projected to represent 50 percent or less of their total projected annual production of freshly manufactured locomotives. The remainder must comply with the Tier 2 NO_X emission standards without the use of credits.

(3) Credits generated from remanufactured locomotives prior to January 1, 2002 and which are banked may only be used for compliance with the Tier 1 or later emission standards.

(k) Upper limits. The FELs for NO_X and PM for new locomotives and new locomotive engines certified to the Tier 1 and Tier 2 standards may not exceed the following values:

(1) Tier 1: the Tier 0 standards.

(2) Tier 2: the Tier 1 standards, except as noted in paragraph (j) of this section.

(l) Credit life shall be unlimited.

(m) Credits may be generated by any certifying manufacturer or remanufacturer and may be held by any of the following entities:

(1) Locomotive or locomotive engine manufacturers;

(2) Locomotive or locomotive engine remanufacturers;

(3) Locomotive or locomotive engine owners;

(4) Locomotive or locomotive engine operators; or

(5) Other entities after notification to EPA.

(n)(1) All locomotives that are certified to an FEL that is different from the emission standard that would otherwise apply to the locomotive or locomotive engine are required to comply with that FEL for the remainder of their service lives, except as allowed by §92.9(a)(4)(iii) and this subpart.

(2) Manufacturers shall notify the purchaser of any locomotive engine that is certified to an FEL that is different from the emission standard that would otherwise apply that the locomotive or locomotive engine is required to comply with that FEL for the remainder of its service life.

(3) Remanufacturers shall notify the owner of any locomotive or locomotive engine that is certified to an FEL that is different from the emission standard that would otherwise apply that the locomotive (or the locomotive in which the engine is used) is required to comply with that FEL for the remainder of its service life.

§ 92.305 Credit generation and use calculation.

(a) For each participating engine family, NO_X and PM emission credits (positive or negative) are to be calculated according to the following equation and rounded in accordance with ASTM E29–93a, to the nearest Megagram (Mg). Consistent units are to be used throughout the calculation.

(1) When useful life is expressed in terms of megawatt-hrs:

Credits for each engine family are calculated as: Emission credits=(Std − FEL) × (UL) × (Production) × (Fp) × (10^{-3} kW-Mg/MW-g).

(2) Where:

(i) Std=the applicable locomotive and locomotive engine NO_X and/or PM emission standard in grams per kilowatt-hour (exceptions: Std=0.43 g/kW-hr, for Tier 0 and Tier 1 PM line-haul credits; Std=0.59 g/kW-hr, for Tier 0 and Tier 1 PM switch credits; and Std=previous FEL in g/kW-hr, for locomotives that were certified to an FEL other than the standard during the previous useful life).

(ii) FEL=the family emission limit for the engine family in grams per kilowatt-hour. For Tier 1 and Tier 2 engine families, the FEL may not exceed the limit established in §92.304(k) for each pollutant.

(iii) UL=the sales weighted average useful life in megawatt-hours, based on the sales weighted average horsepower of the engine family (or the subset of the engine family for which credits are being calculated), as specified in the application for certification.

(iv) Production=the number of locomotives or locomotive engines participating in the averaging, banking, and trading program within the given engine family during the calendar year